



Regional Integration in Southern and Eastern Africa: A Review of Informal Cross Border Trade

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Table of Contents

Acronyms	3
1. Executive Summary	4
2. Background	5
3. Main Issues	5
4. Conclusion and Recommendations	13
5. References	16

Acronyms

CBTA	Cross Border Trade Associations
COMESA	Common Market for Eastern and Southern Africa
COMESA STR	COMESA Simplified Trade Regime
CSOs	Civil Society Organisations
CU	Customs Union
EAC	East African Community
ECOWAS	Economic Community of West African States
FTA	Free Trade Agreement
ICBT	Informal Cross Border Trade
ICBTA	Informal Cross Border Trade Associations
ICBTs	Informal Cross Border Traders
ICT	Information Communication Technologies
MSMEs	Micro, Small and Medium Scale Enterprises
OECD	Organisation of Economic Cooperation and Development
REC	Regional Economic Communities
RISDP	Regional Indicative Strategic Development Plan
SACBTA	Southern Africa Cross Border Traders' Association
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SADC FTA	Southern African Development Community Free Trade Area
SAT	Southern Africa Trust
SMEs	Small and Medium Enterprises
SPS	Sanitary and phytosanitary
TFTA	Tripartite Free Trade Area
TTF	Tripartite Task Force
TTNF	Tripartite Trade Negotiation Forum
WTO	World Trade Organisation

1. Executive Summary

Regional integration has a long history in Africa, revealing that the reasons or objectives for integrating have been evolving over time. In many cases, the motivation behind regional integration was driven by the political decolonisation of Africa, although some exceptions can be noted where economic motives triggered the initiative.

The Southern and Eastern Regional Economic Communities (RECs) of the Common Market for East and Southern Africa (COMESA); the East African Community (EAC) and the Southern African Development Community (SADC) on 12 June 2011 signed an agreement at a Summit in Johannesburg, South Africa to launch negotiations of an expanded Free Trade Agreement (FTA). The COMESA-EAC-SADC FTA, also referred to as the tripartite FTA (TFTA) will be the continent's biggest FTA, comprising of 26 countries spanning from Cape Town to Cairo with an estimated market potential of over US\$ 1 trillion.

Informal Cross Border Trade (ICBT) constitutes a significant proportion of regional cross-border trade in many African countries, but remains largely unacknowledged in many policymaking platforms, because data is not properly captured on their activities. Informal cross-border trade refers to trade in legitimately produced goods and services, which escape the regulatory framework, set by the government, as such avoiding certain tax and regulatory burdens. This trade can have positive macro-economic and social ramifications. These include food security and income creation particularly for rural and urban poor populations on the continent who would otherwise suffer from social exclusion. If properly harnessed, informal cross-border trade also has the potential to support Africa's on-going efforts at addressing poverty alleviation.

This review looks at the importance of ICBT in southern and eastern Africa, motivated by the need to identify measures that can be put in place to address the plight of ICBTs through regional integration. The proposed Tripartite FTA provides an opportunity to include on the negotiating agenda possible measures that can mitigate the exploitation of ICBTs, enhance their trading capacity and incorporate them, at least in part, into the formal economy.

Such measures have positive benefits for:

- the ICBTs who are currently facing serious challenges
- formal firms facing unfair competition
- governments who are losing revenue and have ability to develop appropriate policies curtailed as a result of inadequate information about ICBT.

A key point to note is that while the negotiations are underway and the work of the Tripartite Negotiating Forum (TNF) is cut out, we are already seeing a typical familiar trend that is inherent of RECs in the region, where ambitious timeframes and deadlines are set but always missed. From the limited information coming out of the meetings, it seems plausible at this stage to note that the target for completion of negotiations by June 2014 may be too ambitious. The forthcoming negotiating meeting in Zambia (April 2013) will shed light on whether this target will be met.

The nature and extent of ICBT in the region and the importance and significance of the ICBT sector cannot be overemphasised. This type of trade is providing a livelihood for a significant population group in the respective countries. If harnessed properly, ICBT has the potential to support Africa's on-going efforts at addressing poverty alleviation.

The current and proposed initiatives that the RECs are exploring in their quest to address the plight of ICBTs have been outlined. Within the TFTA negotiations, there seems to be no indication of whether ICBT is currently being factored in the negotiations. This will only be clear once the negotiations are completed and this may be too late. Within the individual RECs we note that COMESA and EAC have implemented a Simplified Trade Regime (STR) for ICBTs. It is anticipated that the evaluation undertaken by COMESA on the STR will form part of the negotiations in the TFTA.

The implementation of a TFTA-wide STR should form part of the negotiations as key developments that can help reduce internal trade barriers in Africa.

What is clear is the fact that tangible programmes must be put in place that will ensure ICBTs are engaged at the policy level, for governments to appreciate and understand in detail the extent and contribution that this sector can provide. Furthermore, governments need to be held accountable, and this can only be possible if ICBTs are organised and can speak with one voice both at national and regional level.

2. Background

The Southern African Customs Union (SACU) was established in 1910, whose primary goal was to promote economic development through regional coordination of trade. The attainment of independence by most African countries has witnessed a new wave of regional integration initiatives which put emphasis on socio-economic integration. The shift has largely been motivated by the need for a stronger bargaining base in the global environment and for mutual benefit in the form of accelerated growth and development. Examples of agreements that highlight economic integration as one of their objectives include the Southern African Development Community (SADC) and the Common Market for East and Southern Africa (COMESA) Treaties. Furthermore, African countries are embarking on regional integration with a view to increase intra-regional trade.

The Tripartite FTA (TFTA) offers benefits for participating countries, although some countries will stand to benefit more than others. Some of the benefits include duty free access to an enlarged market; an opportunity to simplify the Rules of Origin requirements; elimination of non-tariff barriers; increased cooperation of social and economic development projects that are otherwise impossible to implement on an individual basis.

On the downside, the possibility of polarisation effects might be of concern, since the emergence of a few poles of industrialisation and the polarisation of investment towards the larger and more diversified economies of the region is possible. Also, customs revenue losses will significantly affect most countries whose economies rely on this as a source of revenue.

For the purposes of this analysis, informal cross-border trade refers to trade in legitimately produced goods and services, which escape the regulatory framework, set by the government, as such avoiding certain tax and regulatory burdens. This trade can have positive macro-economic and social ramifications. These include food security and income creation particularly for rural populations on the continent who would otherwise suffer from social exclusion. If properly harnessed, informal cross-border trade also has the potential to support Africa's on-going efforts at addressing poverty alleviation.

Given the fact that an expanded FTA may be difficult to coordinate the rationalisation of the differing policies, it is imperative that a policy framework for eastern and southern Africa is developed that addresses the challenges of ICBT in the existing trade regimes under the RECs of COMESA, SADC and EAC.

3. Main Issues

3.1 Status of the tripartite process and the negotiations of the free trade area

At the second Tripartite Summit in Johannesburg, Heads of State adopted a roadmap for the establishment of the COMESA-EAC-SADC Tripartite FTA, providing the timelines for key activities relating to the negotiations and their conclusion, and the implementation of the outcomes and the institutional framework for the negotiations. A developmental approach to the integration process that anchors on three pillars namely: market integration; infrastructure development and industrial development, was adopted.

Negotiations will be in three phases, two of which are expected to be concluded by June 2014. These phases which will run concurrently include market integration and infrastructure development. The movement of legitimate business people will also be negotiated during this phase. The final phase which will look at industrial development and other trade related measures has no time frame allocated.

The timeframes in the roadmap have not been fully adhered to. Nonetheless, preparatory work is on-going within the adopted negotiation institutional framework in order to complete negotiations by 2014.

The Tripartite FTA will be negotiated within the following institutional framework:

- Tripartite Heads of State and Government
- Tripartite Council of Ministers
- Tripartite Sectoral Ministerial Committees
- Tripartite Committee of Senior Officials
- Tripartite Trade Negotiation Forum (TTNF) and
- The Tripartite Task Force (TTF), made up of the Heads of Secretariats of the three RECs who coordinate and provide technical and administrative support to the negotiations.
- Tariff negotiations and the exchange of tariff concessions would be among Member/Partner States of the Tripartite FTA that currently have no preferential arrangement in place among them. It is believed that this approach will both preserve the "acquis" and build on it. In other words, Member/Partner States already participating in FTAs are encouraged to extend the highest level of tariff liberalisation achieved in their RECs to all other Tripartite Member States. In this regard, three groups of countries can be identified for the negotiations on tariff liberalisation, namely:
 - Member/Partner States that are already participating in the REC FTA with each other
 - Member/Partner States that are participating in the REC FTA, but will have to negotiate tariff liberalisation with other Tripartite Member/Partner States of the other REC FTAs
 - Member/Partner States that are not participating in the REC FTA.
- The combined membership of the three RECs is 26, of which 10 states are expected to negotiate as two blocks of 5 countries each. The Member States of the two customs unions (EAC and Southern African Customs Union) in the region will make common offers and receive common requests. The 16 remaining countries are separate customs territories and will negotiate individually but nothing prevents any two or more countries from collaborating, formulating and taking common negotiating positions as "like-minded countries".
- In addition, it was proposed that the threshold for substantial liberalisation under the Tripartite FTA should be 100% product coverage to be implemented in three phases (60% tariff liberalisation in year 1, 30% in year 2 and 10% in year 3) within three years after entry into force of the Tripartite FTA Agreement. The Member States are required to undertake national/regional consultations on these draft modalities for tariff negotiations and submit comments to the Tripartite Task Force before the end of October 2012.

3.2 Extent and Nature of Informal Cross-Border Trade in Southern and Eastern Africa

It is undeniable that the prevalence of ICBT is relatively high in Africa. Research has shown that ICBT consists of a diverse group generally comprising the vulnerable, unemployed, orphans, the youth, school leavers and refugees - dominated by women. In southern Africa, women constitute about 70% of the ICBTs. The main reason for these traders in engaging in ICBT is because it is a source of income and economic activity.

Key characteristics

ICBT currently involves both informal and formal firms. These firms are small and big in size, with their trade involving small and big consignments passed across official border crossing points. The form of ICBT practiced by formal firms usually involves big consignments, while small volumes that are

frequently passed across the borders by informal firms and individuals, when added together, also constitute significant quantities. While informal firms engaging in ICBT do operate entirely outside the formal economy, the formal firms involved may be either fully evading trade-related regulations and duties by passing their commodities through 'unofficial routes' or are partially evading trade-related regulations and duties even as they pass their goods through official routes.

An analysis of the types of merchandise traded informally across the borders reveals that the goods are generally categorized as: (i) non-processed goods; (ii) manufactured goods; and (iii) re-export goods. The table below shows the respective regions, types of goods traded, and the value range of the goods traded.

ICBT product portfolio

Regions	Non-Processed Goods	Manufactured Goods	Re-Exports	Estimate Value of Goods
Eastern Africa	Food and non-foodstuff; Livestock	Low quality manufactured and processed goods	Low quality goods from Asia, contrabands, counterfeits and substandard goods	US\$50- US\$1,000
West Africa	Food and non-foodstuff; Livestock			
Central Africa	Minerals; Jewellery; Forest products; Food and non-food stuff			
Southern Africa	Handicrafts; Food and non-foodstuff			

People in the region are drawn to ICBT because of the changing socio-economic environment, where opportunities for formal employment are shrinking. The informal sector has become an important component of national economies in the region and a major contributor to their socio-economic progress.

Several reasons for engaging in ICBT occur when:

- important price disparities exist between formally and informally traded goods in the importing country
- transaction costs arising from compliance with regulatory requirements are significant
- the formal entry or exit of certain goods is obstructed
- low law enforcement, a high degree of corruption and the requirement of facilitation payments prevail along official border posts
- cross-border trade (whether formal or informal) is likely to be influenced by the degree of availability of certain goods, the quality of road and transport infrastructure and the existence of trust-based networks among traders.

There is no one reason that can be attributed to the engagement of ICBT, but rather, a confluence of factors has conspired either as incentives that pull traders or as problems that push them to engage in ICBT. Despite this, an important aspect to note is that ICBT is an attractive option for many traders and if properly structured can have positive macroeconomic and socio-economic benefits such as food, security and income creation particularly for rural populations and help the fight against poverty in Africa.

Extent of informal cross-border trade

Due to the largely unrecorded nature of ICBT, it is difficult to estimate the accurate figures on the extent of informal cross-border trade in Africa. Literature and studies conducted on the issue have largely relied on monitoring reports of informal trade in selected countries; past OECD work on trade facilitation; and business surveys regarding the customs environment in Africa. Therefore, what we get is a rough picture of the situation on the ground which is merely indicative and should be treated as such. In most instances, this picture is an underestimate of the actual situation as most evaluations and surveys have focused on large and popular border crossing points, rather than systematic attempts to monitor informal cross-border trade in the entire region. Cognisance of this, it is worth noting what estimates or picture is depicted with respect to the size of this market. Findings from all reviewed surveys, independent of the methodology used, suggest that informal cross-border trade still represents a significant proportion of regional cross-border trade in Sub-Saharan Africa.

In SADC, 30-40% of total intra-SADC trade is contributed through ICBT and the average estimate value of ICBT in this region indicate that the figure stands at an impressive US\$17.6 billion annually. Studies conducted in East Africa (Uganda and Tanzania) depict a similar picture. The informal economy in EAC, as with the rest of African countries, is largely comprised of micro, small and medium-scale enterprises (MSMEs) that are semi-organised and unregulated. In Kenya, these enterprises are responsible for employment of 7.5 million people or 80% of the country's total employment outside small-scale agriculture.

3.3 Challenges being experienced by ICBTs in the three regional economic communities

Even though ICBT has become and remains an attractive option for many African households, it is not without its challenges. Several studies have highlighted some of the challenges that are relatively common across the three RECs under analysis.

One study – UN Women (2012) identifies the following challenges:

- There is a proliferation of different forms of violence against ICBTs. The problem of sexual violence while acknowledged by more men than women mainly because of the stigma associated implies that women may not be open about the seriousness of this issue.
- Lack of information on regional trading agreements and protocols especially on existing tariffs, customs regulations and the needed documentation for trade means ICBTs are prone to exploitative relations with intermediaries who often distort information.
- Weak trade related services, such as the lack of banking and currency exchange services in most of the sites, leads to the informal moneychangers regularly inflating the exchange rates, thus reducing the profit margins of ICBTs.
- Lack of trust between traders has meant that traders have failed to form strong associations that can be beneficial for bargaining purposes and accessing credit facilities that would require group collateral.

Other studies found the following typical challenges:

- Instability of families often due to long absence from home by either spouse
- Difficulties in obtaining passports and visas
- Refusal of entry in countries that may not require visas
- Unwarranted impounding of goods
- Humiliating body searches
- Limited access to formal credit schemes
- Lack of reliable transport, and
- Unfavourable policy and regulatory environment.

Likely implications

The significance of ICBT cannot be ignored. There is scope for ICBT to contribute positively to enhance the socio-economic situation in Africa. The challenge is on the appropriate measures that need to be adopted and put in place for this to materialise.

Some positive and negative implications arise from ICBT, including:

Positives:

- The ability to enable small-scale entrepreneurs to escape poverty and to meet their education, housing and other basic needs. ICBT is a source of employment as traders employ people in their home countries and in the countries where they source their goods. It is also a supplementary source of family income to under-employed people, bridging the income gap that is characteristic of many African households.
- Consumers benefit from lower priced informally imported products since they evade a lot of costs. In certain instances, this has placed competitive pressure on firms operating in the formal sector, promoting price efficiency especially where formal sector companies were making supra-normal profits.

Negatives:

- Informal trade creates unfair competition vis-à-vis formal traders. This is because a high incidence of ICBT is likely to lower investments in the local economy and reduce possibilities to integrate the world economy effectively, weakening formal private sector development and the ensuing growth prospects.
- Policy measures aimed at addressing health, safety and environmental protection are compromised by a high incidence of ICBT. E.g. agricultural commodities that are traded informally escape sanitary and phytosanitary controls conducted at the border, which can reduce the effectiveness of control efforts governments have put in place to ensure adequate food safety and avoid the proliferation of human, animal and plant diseases across borders.
- Government revenue loses in unpaid duties and custom taxes, not to mention the losses in foreign exchange receipts implies that government has limited resources to effectively role out public goods and services.
- Lack of accurate official data may hinder the effective formulation, implementation and monitoring of domestic, regional and international trade policies and negatively affect the negotiation of trade agreements.

Initiatives by Informal Cross Border Traders

In 1997, a regional Cross Border Trader Association (CBTA) was established in Zambia, with the aim of setting up 'chapters' in different countries, to represent them at regional forums on trade. In 2000, they made a presentation to COMESA Council of Ministers calling for the formation of CBTA and the simplification of trade formalities for small scale traders. COMESA Council endorsed their requests, but there was little follow on.

To date, several national ICBTAs have been established in mostly COMESA member countries (Burundi; DRC, Kenya, Malawi, Rwanda, Swaziland, Zambia and Zimbabwe). Within SADC, Mozambique also has functioning CBTAs. While it is difficult to determine the effectiveness of these CBTAs, some notable developments can be highlighted with the implementation of the Simplified Trade Regime (STR). At a meeting of the Southern Africa Cross Border Trade Association (SACBTA), representatives of the national ICBTAs that were present provided a situational assessment of ICBTAs in their countries.

Summary of their feedback

Current situation of national ICBTAs

Malawi	Malawi CBTA was established in 2005 but was registered in Nov 2009. It is headquartered in Blantyre and has branches in Lilongwe, Mchinji, Mulanje. The leadership is currently working to establish 11 more branches across the country and to date, a lack of funds is curtailing their operations.
Swaziland	Three different national ICBT associations exist due to differences in the leadership and gender representation, which led to a breakaway and the formation of other ICBTAs from the first ICBTA. Efforts to strengthen the new association and harmonizing differences within national associations are required.
Zambia	Two national associations exist in Zambia. However, the first was founded in 1999 and registered in 2000, making it the oldest CBTA in southern Africa. Its headquarters are in Lusaka and it has a membership of over 5 000, of which over 60% are women. Efforts to harmonise the differences between the two national associations are currently underway. The ICBTAs main achievements include advocating for simplified trade regime, cheap trade visas and many other private sector deals.
Zimbabwe	Zimbabwe CBTA followed Zambia in 2000 and has a membership of over 10 000, but only a few are paid up. This is a common problem where CBTAs do not seem to offer the needed services to its members. Just like Zambia, most of its members are women (70%). The association has been instrumental in implementation of STR and brokering of several deals with financial institutions and government.

3.4 Current and proposed provisions to help promote Informal Cross Border Trade

There are several policy instruments and protocols that are relevant to the informal trade sector that exist at the regional level. However, it is important to note that while the provisions of the protocol are relevant and important for informal traders, they do not seem to adequately take account of the sector seriously and do not respond to its needs effectively. In most cases, the protocols are silent on how informal traders or their associations can access the protocol in terms of being within the ambit of its provisions or whether they are considered as relevant actors in regional trade.

Below, a review of the relevant protocols in the three RECs highlights the extent to which ICBT issues are factored in the provisions.

COMESA

Ratified on 8 December 1994, the COMESA Treaty is the constitutive document establishing COMESA and the framework from which all subsequent instruments derive its legitimacy. All Annexes to the Treaty form an integral part of the Treaty. Article 3 of the Treaty provides the aim and objectives of COMESA which among others is to: "to promote joint development in all fields of economic activity and the joint adoption of macro-economic policies and programmes to raise the standard of living of its peoples and to foster closer relations among its Member States." It recognises that small traders play an important role in the region as they are responsible for the bulk of intra-COMESA food trade. This has led to COMESA encouraging these traders to form associations that could engage governments and ensure that they receive the necessary assistance to be able to participate more effectively in the Free Trade Area (FTA).

To date, COMESA has established a system to facilitate ICBTs by implementing simplified trade formalities for small traders allowing them to enjoy duty free access with simplified documents, known as the Simplified Trade Regime (STR).

EAC

The Treaty for Establishment of the East African Community entered into force on 7 July 2000. The EAC aims at widening and deepening co-operation among the Partner States for their mutual benefit. To this extent, the EAC countries established a Customs Union in 2005 and are working towards the establishment of a Common Market through to a Monetary Union by 2012 and ultimately a Political Federation of the East African States.

The objectives of the EAC as set out in Article 5.1 of the Treaty aim to: "...develop policies and programmes aimed at widening and deepening co-operation among the Partner States in political, economic, social and cultural fields, research and technology, defence, security and legal and judicial affairs, for their mutual benefit."

Some aspects of integration are taking place since the launch of the EAC Customs Union (CU), through official efforts aimed at strengthening of institutions and business environment to enhance formal cross-border trade interactions. However, some of these efforts are also prominent by their glaring lack of recognition of informal cross-border traders or measures to keep track of informal trading.

We continue to notice the recognition of ICBTs as a result of the lobbying being undertaken by CBTA's. The EAC has adopted and is implementing the STR, like COMESA.

SADC

Politically, SADC adheres to an agenda that extends well beyond the target of achieving a Free Trade Area that was agreed upon by the member states. While the addressing ICBT is not specifically mentioned in the provisions, Article 5.1.1 of the SADC Treaty lists one of the objectives, among others, that aims to: "Develop policies aimed at the progressive elimination of obstacles to the free movement of capital and labour, goods and services, and of the peoples of the region generally, among Member States."

Accompanying the Treaty is several protocols that aim to enhance the goals of SADC. The SADC Trade Protocol is arguably the most important legal instrument of SADC. This protocol aims to enhance cross-border investment by liberalising intra-regional trade. The objective is the implementation of a SADC FTA - the protocol contains all the obligations Member States need to observe for the regional arrangement to be compatible with WTO rules. Pushing the agenda of SADC are ambitious targets set out in the Regional Indicative Strategic Development Plan (RISDP) of 2003. Although the RISDP is not a legally binding agreement, it enjoys political legitimacy.

On the issue of ICBT, the RISDP acknowledges this as a challenge of the existing trade policies and strategies and notes that, "The other challenge is in developing new policies and strategies that would target vulnerable groups such as the rural and urban poor, small businesses, informal operators and women to ensure that they take advantage of the policies". The lack of convergence in SADC Member States' external tariff and trade policies is also a threat to cooperation and becomes unnecessarily unwieldy for ICBTs. What further complicates the situation is the fact that most SADC countries belong to more than one regional trade block. These regional trade blocks do not necessarily have similar aims, and their overlapping membership makes life difficult for ICBTs who would prefer harmonization in the trading regime.

Measures under discussion in the COMESA–EAC-SADC Negotiation Group

Since the launch of the Tripartite Free Trade Area in June 2010, the Tripartite Negotiating Forum (TTNF) has met five times. Its first meeting of December 2011 adopted the Tripartite Negotiating Forum rules of procedure and terms of reference. The forum also established three technical working groups to negotiate specialised themes, such as customs and transit, barriers to trade,

sanitary and phytosanitary standards and non-tariff barriers. Negotiations are focusing on the architecture and design of the Tripartite FTA in terms of trade preferences, product coverage, simplification of trade procedures and documentation through trade facilitation.

In the last meeting, negotiators from the three RECs were expected to finalise and adopt the tariff negotiation modalities; review the work plan of the TTNF, particularly the negotiating schedule; and review the reports of the technical working groups, according to a statement from COMESA. As it stands, the Tripartite FTA negotiations are behind schedule by some 12 months, according to the regional block's senior trade advisor, James Musonda. According to him, the next Lusaka meeting will be the sixth negotiating session out of an agreed total of 10 sessions. He noted that "the Livingstone meeting is, therefore, being seen as a make-or-break session for the negotiations, and it is proposed that the negotiations must be based on a draft text of a Tripartite FTA agreement prepared by experts from the COMESA, EAC and SADC secretariats in 2009."

While negotiations are currently underway, it is not known to what extent the final agreement will account for the needs of ICBTs. There are no explicit indicators that show whether the plight of this group of traders is part of the agenda. It is only hoped that the recent evaluation of the STR undertaken for COMESA which aims to facilitate ICBTs, will put credence to the need for a regional institutional structure dedicated to ensuring facilitation of trading amongst ICBTs. As the 'proof is in the pudding', we can only talk of how far the negotiations have addressed the plight of ICBTs when they conclude.

Below, we explain how the STR in COMESA and EAC works and some of the shortfalls identified.

Simplified trade regimes for low value transactions

In 2007, the RECs of COMESA and EAC launched a Simplified Trade Regime (STR) for selected types of commodities, whereby small-scale traders benefit from a simplified customs document and a simplified certificate of origin, under which goods that are originating from member countries and whose value does not exceed USD 500 per consignment, qualify automatically for duty-free entry in the respective markets. The Certificate is issued at the border posts, to enable traders located in remote areas to benefit from the regime.

COMESA Simplified Trade Regime

At the COMESA Business Summit and Exhibition held in 2007, Ministers agreed to introduce a "Simplified COMESA Trade Regime", which would first apply to maize, rice, beans and traditional food crops such as cassava, as well as cotton and dairy products. Under the simplified system, consignments of US\$500 or below that are produced in the region, will be exempt from the normal rules of origin requirements. In addition, traders will be able to use a simplified certificate of origin and customs document. This initiative is intended to facilitate "formal" agricultural trade in the region and reduce the incidence of ICBT, which still captures a high share of intra-COMESA trade.

The Simplified Trade Regime was first implemented on a pilot basis in 10 selected countries and border posts (Burundi, DRC, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia and Zimbabwe). It was expected that after the completion of the pilot phase in late 2008, the implementation of the Regime would extend to all COMESA countries. To date, The STR initiative has now been launched and is being implemented between three bordering countries of Zambia, Malawi and Zimbabwe. The CBTAs with support from the CBT REFORM project have also established Trade Information Desks (TIDs) on all main borders in order to help traders with information and filling of forms under the STR.

A dedicated website has been developed as a 'resource' to help cross border traders in eastern and southern Africa to find an association near to them, to voice their opinions and explain what COMESA is doing to improve conditions for small cross border traders. It also helps cross border

traders to find the National Focal Points representing the CBT Desk (REFORM) in Member States. National Focal Points act as link for effective communication and feedback between REFORM and its key stakeholders at the national level.

4. Conclusions and Policy Recommendations

In general, it will be critical for African countries to establish and strengthen data collection and analytical capacities in order to effectively measure ICBT's contribution to their respective economies and design appropriate policy responses. The continent needs to create a policy, regulatory, institutional and business environment that enhances the role of ICBTs, legitimises their activities (where the trade is found beneficial to the economy) and gradually mainstreams them into the formal economy. For ICBTs, they need to be proactive and get organised. As a first, the ongoing establishments of ICBT associations at the national level are an important step in the right direction. Where no formal ICBT associations exist, they must be established and strengthened. This is important to gain recognition from government and thereby enable effective dialogue to take place with their governments.

ICBTs should ensure that there is effective information dissemination amongst them to avoid exploitation from opportunistic intermediaries. The use of information communication technologies (ICT) such as mobile platforms for information dissemination is important as Africa has shown significant mobile penetration rates in the past decade. The development of a market information mobile platform system can assist in providing information such as exchange rates, customs requirements, commodity prices and even insurance options, with ease. Furthermore, banking platforms can also ease the exchange of transactions. The regional cross border associations need to be capacitated with both financial and human capital.

Capacity building of members through structures and effective training that addresses the gaps that exist in organizational, leadership and marketing skills is required and must be given priority. Lessons can be learnt from the formal sector through the establishment of linkages with the private sector to participate in ICBT infrastructure improvement initiatives as well as build relationships.

The establishment of a formal regional ICBT Forum will be the advocacy arm for all ICBTs in the region, with a mandate from national associations to speak and lobby on their behalf at the regional level. It should be able to advocate the interests of ICBTs at the respective secretariats of the RECs. The Regional ICBT Forum should establish an integrated operations centre (Secretariat) with financial support from both members and the RECs secretariats. The Regional ICBT Forum Secretariat should also enjoy political support and be able to support activities of the regional ICBT Network.

Furthermore, ICBT Associations should form a coalition with small and medium enterprises (SMEs) as well as big business representative associations when they have issues in common and jointly address government. E.g. reducing artificial trade barriers within the TFTA, government corruption, bureaucracy, unnecessary roadblocks and poor border infrastructure.

ICBTs should focus on a small number of key issues rather than a 'shopping list of issues' for the TFTA. This makes coherence easier and allows their issues to gain more traction. It also focuses the lobbying effort to get their issues onto the TFTA agenda. As an example, lobbying for the extension of the STR throughout the TFTA is a single issue that can be sustainably lobbied on for several years and deliver tangible benefits.

ICBTs should also ensure that they ramp up policy engagement with their national governments. Any changes to the TFTA will emanate from national governments bringing issues to the RECs. National policy engagement, therefore, needs to be the primary focus of ICBT effort, with regional engagement playing an important supplementary role. Discussions at a recent regional cross border trade policy stakeholders dialogue on the Tripartite Free Trade Area (TFTA) in Maputo, noted

that the need for the involvement and participation of ICBTs and their ICBTAs in the TFTA negotiations is currently not universally recognised or practiced among the Member States. However, given the TFTA negotiations structures, ICBTs and their ICBTAs have opportunities at three levels where they can engage and participate in the TFTA negotiations. These are:

- at the national level through their national ICBTAs participating in the various national forums and mechanisms such as working groups, for debate and discussions etc, to set out and agree the national positions on the various FTA issues together with the relevant line ministries and other stakeholders concerned
- at the regional level, using their regional ICBTAs to lobby the RECs, and
- at the TFTA level where the Member States will meet to negotiate and agree the terms of the FTA. The onus lies with the ICBTAs not to sit back but to fully take advantage of their presence and recognition under the COMESA STR to take the initiative and effectively engage the national authorities and the RECs.

The slow progress in the TFTA negotiating process comes as an opportunity for the ICBTAs to mobilise, engage the process and meaningfully participate in the negotiations, starting at the national level. Success for ICBTs can be achieved, only by working as a collective to ensure that their voices are heard, and their interests are included in the TFTA negotiations.

For governments, the first issue will be to formally recognise ICBT and mainstream ICBT in national and regional economic policy dialogues. As economic data is important in policy formulation, governments need to strengthen or establish ICBT data collection and analytical capacities at key border points, in order to gauge ICBTs' contribution to the economy. Cross border policy dialogue needs to be intensified to build an understanding of local cross border dynamics.

As part of government's social responsibility, they need to improve border infrastructure such as cross border storage facilities, stalls in key border markets and checkpoints. Lack of infrastructure capacity remains a key barrier to trade. Gender issues should also be prioritised with the aim of addressing some of the pervasive constraints that afflict women.

Governments also need to take an active role in the facilitation of the establishment of ICBT associations and business linkages between ICBTs and established companies. Regional trade agreements should be fully implemented and enforced, while ensuring that corrupt practices at the borders and checkpoints are eliminated.

Other measures that government can take include:

- Developing an enabling environment for ICBTs by ensuring their safety and providing trading facilities.
- Ensure easy access and availability of travel documents for ICBTs, e.g. introducing a specific SADC/ TFTA permit for ICBTs that recognises registered operators and allows them freer movement than the general population.
- Provide ICBTs with easy access to information on customs and free trade area policies and guidelines. Emulating and supporting work being undertaken by CSOs will go a long way in addressing this issue. E.g. Oxfam GB has just released a simplified guide to trade in general and the TFTA and is translating it into several regional languages to give ICBTs basic information and ways to engage in discussions and negotiations. More such initiatives are required.
- Formally recognise ICBTs as economic agents. Many governments in Africa have never interacted formally with ICBTs on regional integration issues. Other governments view ICBTs with suspicion or see them as irrelevant. The economic figures highlighted above (contribution of ICBTs to the regional economy as well as the role that women play in informal trade) should ensure that they are seen and officially recognised as serious economic operators. The discussion should move to how to effectively engage ICBTs at national level rather than whether they deserve to be engaged.
- For the regional economic communities, it is time to change the way of doing business. If experience can be a measure of future expectations, we note that there is need for a new

approach. This calls for a new culture, a new ideology amongst African countries to complete effective economic integration. The fact that the African Union (AU) ceased recognising new RECs and encouraging the consolidation of existing RECs of which governments are complying, demonstrates a strong political commitment on the part of the Partner States. However, the existing RECs must overcome major challenges, the main one being the gap between the commitments and their implementation.

At this early stage, there are important lessons to take and to consider what will contribute to a successful regional economic integration arrangement. Within the building blocks, the RECs, will first need to empower the regional institutions and mainly the Secretariats with a clear mandate to make independent decisions guided by the Agreements.

Furthermore, provide these regional institutions and Secretariats with adequate resources in terms of financial and human capital to function effectively. The recent introduction of a Community levy in CEMAC, EAC and ECOWAS is a first step to address these financial difficulties.

A turning point for African integration will be when member states are committed to the development of a comprehensive rules-based integration arrangement within the consolidated RECs. They will implement the provisions of the agreement, subscribe to effective monitoring of compliance and sanctions for non-compliance. The remedy lies in the outcome of the political economy that operates differently and is distinct from the past.

Civil Society Organisations (CSOs) have an important role as agents of change and advocacy. Their efforts on trade facilitation can go a long way in assisting ICBT associations to establish, therefore, we recommend that they include ICBTs in their national development plans. Below are number of ways that CSOs can assist.

As capacity building agents, CSOs can provide support to African countries to develop ICBT data collection and analytical capacities, contribute to the ongoing research on ICBT, to determine the contribution of informal networks to cross-trade integration.

Studies should aim at answering some of the questions raised above and build on existing research that has focused on:

- Helping ICBTs to assess the economic benefits of cross-border trade
- Understanding the specific cities of border markets and
- Shedding light on the relationships between traders and public institutions in border areas.
- Furthermore, as trade issues are extremely complex and difficult to understand, CSOs can play a big role in sensitising and capacity building for ICBTs to be able to effectively engage in trade policy making by availing information, training, helping draft policy position papers among others.

CSOs should also ensure collaboration and streamlining of initiatives designed to assist ICBTs in their efforts at greater recognition and capacity building. Instead of several, fragmented initiatives and project activities, all civil society and cooperating partners with an interest in ICBT work should ensure they adequately consult the ICBTs, map out their needs and capacity gaps and coordinate their interventions.

ICBTs may find that they have a lot of common interest with other players in society. Civil society can help create a platform for such synergies to be discovered and mapped out. E.g. tackling artificial trade barriers (inefficiencies rather than legitimate controls) might be on the radar screens of SMEs, established business and major transport companies. Civil society can help all these parties to rally around a couple of key issues around trade facilitation to lobby governments with a stronger voice.

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